



Xtract Resources plc - XTR

Subscription and Equity Swap Agreements

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Subscription and Equity Swap Agreements

The Board of Xtract Resources Plc ("**Xtract**" or the "**Company**") is pleased to announce that it has today entered into a subscription agreement with YA II EQ, Ltd. (the "**Investor**") for a subscription for new ordinary shares in the Company for £980,000 in cash. In addition, the Company has entered into an equity swap agreement with the Investor for a payment by the Company of £870,000, which will entitle the Company to twelve monthly settlement payments of £72,500, subject to an agreed adjustment. The proceeds of the subscription (net of expenses and the swap payment), together with monthly proceeds pursuant to the equity swap agreement, will be used by the Company for additional working capital.

Colin Bird, Executive Chairman, said: "As previously reported, the Company had over previous months encountered challenges at Chepica and Manica which required attention, and the same time provided opportunities. The focus of the Company is now solely on our project at Manica. We have entered into this new funding arrangement to ensure the Company remains funded for its short and mid-term progress. As the Company moves forward to ensure Manica's value is fully released, shareholders will be kept updated and fully informed on direction".

Subscription Agreement

The Investor has today agreed to subscribe for a total of 3,500,000,000 new Ordinary Shares ("**Subscription Shares**") in the Company at a subscription price of 0.028p per Ordinary Share ("**Subscription Price**"), which amounts to £980,000 in aggregate, before expenses (the "**Subscription**"). The Investor is an affiliate of YA II PN, Ltd. (formerly known as YA Global Master SPV, Ltd.) ("**YAPN**"), with which, as referred to in the Company's announcement on 24 October 2016, the Company has an existing Standby Equity Distribution Agreement ("**SEDA**") and a Loan Note Facility ("**Loan Note Facility**").

Completion of the Subscription is conditional on none of the warranties given by the Company to the Investor in the Subscription Agreement being or having become untrue or inaccurate at any time prior to admission of the Subscription Shares to trading on AIM ("**Admission**") and Admission becoming effective by no later than 8.00 am on 8 November 2016 (or such later date as the Company and the Investor may agree, in any event being no later than 8.00 am on 15 November 2016).

The Subscription Shares will on completion of the Subscription be credited as fully paid and will rank *pari passu* in all respects with the existing issued Ordinary Shares and will represent approximately 19.14 per cent. of the enlarged issued share capital of the Company.

On completion of the Subscription, the Company will initially retain £110,000 of the Subscription proceeds (before expenses) for general working capital purposes. The balance of £870,000 of the Subscription proceeds will be used to make the payment to the Investor under the Equity Swap Agreement as detailed below.

Equity Swap Agreement

The Company and the Investor have today entered into the equity swap agreement (the "**Equity Swap Agreement**"). In return for the payment by the Company to the Investor of £870,000 (the "**Swap Payment**") as described above, the Investor has agreed to make twelve monthly settlement payments to the Company of £72,500 at the end of each month commencing with 30 November 2016 (the "**Monthly Base Settlement Amount**"), subject to adjustment as applicable as described further below. The Monthly Base Settlement Amount is based on 291,666,667 Ordinary Shares (the "**Applicable Share Amount**").

The adjustments, if any, to the Monthly Base Settlement Amount are determined each month by calculating the difference between the then prevailing market price (as defined in the Equity Swap Agreement) of the Company's Ordinary Shares in the relevant month and a benchmark price of 0.0308p per Ordinary Share (the "**Benchmark Price**"). The market price for each month is calculated as the average of the lowest ten (10) daily volume weighted average prices of the Company's Ordinary Shares (the "**Market Price**") in that month. The adjustment, if any, to the Monthly Base Settlement Amount is then calculated as follows:-

(a) If the Market Price for that relevant month is greater than the Benchmark Price, the Investor will pay to the Company the Monthly Base Settlement Amount, plus an additional amount determined in accordance with the following formula:-

Applicable Share Amount X (Market Price - Benchmark Price) x 50%

(b) If the Market Price for that Settlement Date is less than or equal to the Benchmark Price, the Investor will pay to the Company an amount equal to the Monthly Base Settlement Amount, less an amount determined in accordance with the following formula:-

Applicable Share Amount x (Benchmark Price - Market Price)

and, to the extent that the amount determined in accordance with the formula above exceeds the Monthly Base Settlement Amount (the "Excess Amount"), then the Company will pay to the Investor an amount equal to Excess Amount. This would only occur if the Market Price was 0.0060p which is approximately 80 per cent. below the closing mid-market price of 0.03p per Ordinary Share on 1 November 2016.

The monthly payments received by the Company in respect of the Swap Payment will therefore be dependent on the future price performance of the Ordinary Shares.

The Investor and the Company may mutually agree to terminate the Equity Swap Agreement and accelerate the payments due under it in certain circumstances. The Investor has agreed that it and its affiliates will refrain from holding any net short position in respect of the Company's Ordinary Shares.

Following Admission, the Investor will be interested in 3,500,000,000 Ordinary Shares in the Company, representing 19.14 per cent of the enlarged issued share capital and voting rights of the Company.

While YAPN has currently no interest in the existing issued share capital of the Company, as previously announced on 29 September 2016, YAPN was then interested in 12.68 per cent. of the existing issued share capital. As YAPN has therefore been interested in more than 10 per cent. of the issued share capital of the Company within the last 12 months, and as YAPN is affiliated with the Investor, the Subscription and Equity Swap Agreement is a related party transaction pursuant to the AIM Rules. Accordingly, the Directors of the Company consider, having consulted with the Company's Nominated Adviser, that the terms of the Subscription and Equity Swap Agreement are fair and reasonable insofar as shareholders are concerned. In particular the Directors have taken account of the Company's current financial position, as detailed in the announcement published on 24 October 2016, and the current requirement to raise additional funds to provide funds for working capital and accrued creditors. In addition, the Directors have noted that the Company is currently working to complete a Bank Feasibility Study on the Company's Manica Project and that this is expected to be completed this year and be a positive development for the Company.

Subscription Shares

Application will be made by the Company for Admission in respect of the Subscription Shares, with Admission expected to occur on or around 8 November 2016.

On Admission, the Company will have 18,287,728,545, Ordinary Shares in issue with voting rights. Xtract does not currently hold any shares in treasury. Accordingly, this figure of 18,287,728,545 Ordinary Shares may be used by shareholders in the Company as the denominator for the calculations by which they will determine if they are required to notify their interest in, or a change in their interest in, the share capital of the Company under the FCA's Disclosure Guidance and Transparency Rules.

This announcement contains inside information for the purposes of Article 7 of EU Regulation No. 596/2014 on market abuse.

Enquiries:

Xtract Resources Plc Colin Bird, Executive Chairman +44 (0)20 3416 6471

Beaumont Cornish Michael Cornish +44 (0)207628 3369
Felicity Geidt
Email: corpfin@b-cornish.co.uk

Beaufort Securities Jon Belliss +44 (0)207 382 8300

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